

SCOTTISH JOURNAL
OF
POLITICAL ECONOMY

The Journal of the Scottish Economic Society



Volume Forty

Blackwell Publishers

THE SCOTTISH ECONOMIC SOCIETY

President:	Professor L. C. Hunter
Vice-Presidents:	Sir Fraser Noble Professor M. Gaskin Sir A. Cairncross Professor D. Flint Dr T. L. Johnston Professor T. Wilson
Editors:	Professor L. C. Hunter and Professor A. Muscatelli
Review Editor:	Professor A. Dow
Secretary:	F. G. Hay
Treasurer:	Dr S. Dow

Editorial Board

Brian K. Ashcroft	Neil M. Kay	Charlotte Lythe
John Foster	Alex G. Kemp	Gavin C. Reid
Peter H. Grinyer	Brian J. Loasby	Andrew S. Skinner

Scottish Journal of Political Economy is published four times a year in February, May, August and November by Blackwell Publishers, 108 Cowley Road, Oxford OX4 1JF or 238 Main Street, Cambridge, MA 02142, USA.

Information for Subscribers. The subscription rates are £56.50 UK/Europe, £65.00 ROW, \$97.00 North America*. The single issue price is £17.00 UK/Europe, £20.00 ROW, \$29.00 North America*. New orders and sample copy requests should be sent to the Journals Marketing Manager at the Publisher; renewals, claims and other subscription enquiries to the Journals Subscriptions Department, Marston Book Services, PO Box 87, OXFORD OX2 0DT. Cheques should be made payable to Basil Blackwell Ltd.

* Canadian customers/residents please add 7% for GST.

The journal is distributed free of charge to members of the Scottish Economic Society. Applications for membership of the society, normally available only to individuals, should be sent to the Treasurer, Mr J. Houston, Department of Economics, Glasgow Caledonian University, 70 Cowcaddens Road, Glasgow G4 0BA. The annual subscription to the Society for members is £20.00, (US\$35.00, North America). Student membership is £13.00 (US\$22.00 North America) and family membership is £7.00 (US\$13.00 North America). Correspondence for the Society on other matters should be addressed to the Secretary, Mr F. G. Hay, Department of Political Economy, University of Glasgow G12 8QQ.

The journal is available on microfilm (16mm or 35mm) or 105mm microfiche from the Serials Acquisitions Department, University Microfilms Inc., 300 North Zeeb Road, Ann Arbor, MI 48106, USA.

Single issues from the current and previous two volumes are available from Marston Book Services at the address above at the current single issue rate. Earlier issues may be obtained from Dawsons Back Issues, Cannon House, Folkestone, Kent CT19 5EE.

US Mailing Second class postage paid at Rahway, New Jersey. Postmaster: send address corrections to *Scottish Journal of Political Economy*, c/o Mercury Air Freight International Ltd. Inc., 2323 E-F Randolph Avenue, Avenel, NJ 07001, USA. (US mailing agent)

© 1993 Scottish Economic Society. All rights reserved. Apart from fair dealing for the purposes of research or private study, or criticism or review, as permitted under the Copyright, Designs and Patents Act 1988, this publication may not be reproduced, stored or transmitted in any form or by any means without the prior permission in writing of the publisher, or in the case of reprographic reproduction in accordance with the terms of licences issued by the Copyright Licensing Agency or the Copyright Clearance Center.

Blackwell Publishers

CONTENTS (VOLUME 40)

Articles	<i>Page</i>
Borooah, V. K. and Smyth, M. F. The Allocation of Public Expenditure Between the Countries of the United Kingdom: An Application of the Error Correction Mechanism	295
Bosworth, D. Skill Shortages in Britain	241
Broll, U. and Wahl, J. E. Multinational Firm, Foreign Production, and Hedging Behaviour	116
Caporale, T. Knut Wicksell: Real Business Cycle Theorist	471
Clark, S. The Strategic Use of Inventories in an Infinite Horizon Model of Wage and Employment Bargaining	165
Collie, D. Profit-Shifting Export Subsidies and the Sustainability of Free Trade	408
Dnes, A. W. Bidding for Commercial Broadcasting: An Analysis of UK Experience	104
Dnes, A. W. Franchising Passenger Rail	420
Ermisch, J. Familia Oeconomica a Survey of the Economics of the Family	353
Färe, R. and Logan, J. Duality Theory and Value Constraint	330
FitzRoy, F. R. On the Non Uniqueness of Competitive Equilibrium with an Intensive Margin	283
Gemmell, N. Fiscal Dependence on Trade Taxes and Economic Development: Some New Evidence	56
Hanley, N. and Moffatt, I. Efficiency and Distributional Aspects of Market Mechanisms in the Control of Pollution: An Empirical Analysis	69
Hudson, J. Pricing Dynamics with Non-instantaneous Quantity Adjustment	272
Hughes Hallett, A. J. Changes in Regime and the Risks in Stabilising Speculative Markets	24
Hurn, A. S. Seasonality, Cointegration and Error Correction: An Illustration Using South African Monetary Data	311
MacDonald, R. and Taylor, M. P. Regional House Prices in Britain: Long-run Relationships and Short-run Dynamics	43
Matthews, R. C. O. Political and Economic Causes of the Economic Slowdown	129
Molho, I. Local Wages and the Role of Unemployment	375

Naldi, N. Gershom Carmichael on 'Demand' and 'Difficulty of Acquiring': Some Evidence from the First Edition of Carmichael's Commentary to Pufendorf's <i>De Officio</i>	456
Pain, N. An Econometric Analysis of Foreign Direct Investment in the UK	1
Papps, I. Shadow Pricing with Price Controls	199
Patterson, K. D. The Impact of Credit Constraints, Interest Rates and Housing Equity Withdrawal on the Intertemporal Pattern of Consumption—A Diagrammatic Analysis	391
Redman, D. A. Adam Smith and Isaac Newton	210
Smith, J. and Hagan, J. Multivariate Cointegration and Error Correction Models: An Application to Manufacturing Activity in Australia	184
Sørensen, J. R. Integration of Product Markets and Lower Welfare in an Economy with Centralized Wage Setting	323
Steele, G. R. Philosophical Perceptions and the Precepts of Political Economy: Frederick Hayek and John Maynard Keynes	88
Thiel, S. E. Two Cheers for Touts	447
Turner, P. M. A Structural Vector Autoregression Model of the UK Business Cycle	143
Whynes, D. K. Can Performance Monitoring Solve the Public Services' Principal-Agent Problem?	434

Review Article

Molana, H. The Role of Income in the Consumption Function: A Review of On-going Developments	335
--	-----

